

Message Text

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PAGE 01 LISBON 08669 161752Z
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SUMMARY: OPPOSITION PARTIES IN THE NATIONAL ASSEMBLY ON
DECEMBER 14 VOTED DOWN THE GOVERNMENT REQUEST FOR PRIORITY
CONSIDERATION OF ITS CHRISTMAS BONUS FORCED-SAVINGS SCHEME.
THE DECISION BLOCKS IMPLEMENTATION THIS YEAR. FINANCE
MINISTER MEDINA CARREIRA SEVERELY CRITICIZED THE ASSEMBLY
ACTION AND VOWED THAT GOP WOULD NOT SLACKEN ITS EFFORTS TO
IMPOSE NEEDED AUSTERITY MEASURES. END SUMMARY.

1. FORCED SAVINGS PLAN: THE OPPOSITION PARTIES REFUSED
THE GOVERNMENT'S REQUEST FOR PRIORITY CONSIDERATION OF ITS
CHRISTMAS BONUS FORCED SAVINGS PLAN (REFTEL). THE MEASURE,
NOW REMANDED TO THE ECONOMIC AND FINANCE COMMITTEE, WILL
NOT RESURFACE IN THE ASSEMBLY FOR SEVERAL WEEKS, WELL
AFTER THIS YEAR'S BONUSES HAVE BEEN PAID. REASONS CITED
BY THE OPPOSITION PARTIES TO JUSTIFY THEIR ACTION INCLUDED:
-- CDS: THE MEASURE'S "LOSS OF VALIDITY" GIVEN THE
DECEMBER 13 CABINET DECISION INSTRUCTING FIRMS TO PROCEED
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PAGE 02 LISBON 08669 161752Z

AS USUAL WITH PAYMENTS OF CHRISTMAS BONUS;
-- PSD: THE GOVERNMENT'S "ARROGANT" ATTEMPT TO UNI-
LATERALLY PUSH MEASURES WITHOUT PREVIOUS CONSULTATION
OF OPPOSITION PARTIES;
-- PCP: THE DESIRABILITY OF CONSIDERING THE MEASURE
WITHIN FRAMEWORK OF PROPOSED ECONOMIC DEVELOPMENT PLAN,

SHORTLY TO BE DEBATED BY THE ASSEMBLY.

2. FINANCE MINISTER RESPONSE: FINANCE MINISTER MEDINA CARREIRA, IN NATIONAL TV BROADCAST DECEMBER 14, CONDEMNED THE OPPOSITION ACTION AS SHABBY ELECTION POLITICS. HE CITED TWO FACTORS WHICH COMPELLED ADOPTION OF THE GOVERNMENT PROPOSAL: OVERCONSUMPTION (IN 1975, CONSUMPTION ROSE BY 18 PERCENT WHILE PRODUCTION, IN NOMINAL TERMS, ROSE ONLY 11 PERCENT) AND A DRASTIC DROP IN THE RATIO OF PRIVATE SAVINGS TO GNP (21 PERCENT IN 1973, 15 PERCENT IN 1974, AND 4 PERCENT IN 1975). UNLESS AN EFFECTIVE AUSTERITY PROGRAM IS INSTITUTED, HE WARNED, PORTUGAL FACES "ECONOMIC COLLAPSE" MAKING "NATIONAL INDEPENDENCE AND DEMOCRACY ONLY FAINT AND NOSTALGIC MEMORIES." MEDINA CARREIRA VOWED THAT, DESPITE THE SETBACK, THE GOP WOULD NOT SLACKEN EFFORTS TO IMPOSE EFFECTIVE AUSTERITY MEASURES.

3. SALARY AND PENSION INCREASES: ON DECEMBER 13 THE COUNCIL OF MINISTERS ISSUED A DECREE SETTING PLANNED SALARY INCREASES FOR CIVILIAN GOVERNMENT EMPLOYEES AT 15 PERCENT. CABINET INCREASED GOVERNMENT PENSIONS, AND RETIREMENT, DISABILITY AND VETERAN BENEFITS BY 10 PERCENT.

4. COMMENT: NATIONAL ASSEMBLY DECISION TO DELAY CONSIDERATION OF THE FORCED SAVINGS PLAN BLOCKS ITS IMPLEMENTATION THIS YEAR. GOP HAS NOT, HOWEVER, GIVEN UP HOPE OF IMPLEMENTING SOME TYPE OF FORCED SAVINGS PLAN. MEDINA CARREIRA'S TV ADDRESS UNDERSCORED THIS POINT. FORMAL ANNOUNCEMENT THAT PUBLIC SECTOR SALARY LIMITED OFFICIAL USE

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PAGE 03 LISBON 08669 161752Z

INCREASES WOULD BE SET AT 15 PERCENT REPRESENTS MAJOR STABILIZING DECISION. IF GOP CAN HOLD TO THIS LIMIT THROUGHOUT 1977, IT WILL HAVE SIGNIFICANTLY REDUCED REAL WAGES. SIMILARLY, 10 PERCENT INCREASE IN PENSIONS AND SIMILAR PAYMENTS IS WELL BELOW INFLATION RATE AND MUCH LOWER THAN MOST OBSERVERS HAD EXPECTED. BOTH MEASURES WILL HELP REDUCE GOP BUDGET DEFICIT. OKUN

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